

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	613002
<015>	Study Area Name	BETTLES TEL CO INC
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Michael Garrett
<035>	Contact Telephone Number: Number of the person identified in data line <030>	8009820136 ext.160
<039>	Contact Email Address: Email of the person identified in data line <030>	mike.g@aptalaska.com
	Form Type	54.313 and 54.422

**(200) Service Outage Reporting (Voice)**  
**Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

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<210> For the prior calendar year, were there any reportable voice service outages? No

[illegible]

**(300) Unfulfilled Service Request  
Data Collection Form**

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 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
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<010>	Study Area Code	613002
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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com

&lt;300&gt; Unfulfilled service request (voice)

0

&lt;310&gt; Detail on attempts (voice)

Name of Attached Document

&lt;320&gt; Unfulfilled service request (broadband)

NA

&lt;330&gt; Detail on attempts (broadband)

Name of Attached Document

<010>	Study Area Code	613002
<015>	Study Area Name	BETTLES TEL CO INC
<020>	Program Year	2018
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<035>	Contact Telephone Number - Number of person identified in data line <030>	8009820136 ext.160
<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	
<410>	Complaints per 1000 customers for fixed voice	Offered only fixed voice 0 . 0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	
<440>	Complaints per 1000 customers for fixed broadband	No broadband services offered
<450>	Complaints per 1000 customers for mobile broadband	

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
613002ak510 .pdf		
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

<b>(600) Functionality in Emergency Situations</b>		FCC Form 481
<b>Data Collection Form</b>		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	613002ak610.pdf

**(700) Price Offerings including Voice Rate Data  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

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<020>	Program Year	2018
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<035>	Contact Telephone Number - Number of person identified in data line <030>	8009820136 ext.160
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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com
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<701> Residential Local Service Charge Effective Date

1/1/2017

<702> Single State-wide Residential Local Service Charge

[illegible]

**(710) Broadband Price Offerings**  
**Data Collection Form**

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[illegible]



<b>(800) Operating Companies</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com
<810>	Reporting Carrier	Bettles Telephone, Inc.
<811>	Holding Company	Alaska Power & Telephone, Inc.
<812>	Operating Company	Bettles Telephone, Inc.

[illegible]

**(900) Tribal Lands Reporting  
Data Collection Form**

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 <900> Does the filing entity offer tribal land services? (Y/N) Yes

&lt;910&gt; Tribal Land(s) on which ETC Serves

Exchanges in Alaska

&lt;920&gt; Tribal Government Engagement Obligation

613002ak920.pdf

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable
Yes
<div style="background-color: #cccccc; height: 15px;"></div>
Yes
Yes
Yes
Yes
Yes
Yes
Yes

**(1000) Voice and Broadband Service Rate Comparability  
Data Collection Form**

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<1000>      Voice services rate comparability certification      Yes

<1010>      Attach detailed description for voice services rate  
comparability compliance

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Name of Attached Document

Not Applicable

<1020>      Broadband comparability certification

<1030>      Attach detailed description for broadband  
comparability compliance

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Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

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<1100> Certify whether terrestrial backhaul options exist (Y/N)

No

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

Not Applicable

**(1200) Terms and Condition for Lifeline Customers**  
**Lifeline**  
**Data Collection Form**

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<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP <http://www.aptalaska.com/lifeline-and-linkup/>

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- |        |   |                                     |
|--------|---|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan,  | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan.  | <input checked="" type="checkbox"/> |

**(2005) Price Cap Carrier Additional Documentation****Data Collection Form***Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

**Incremental Connect America Phase I reporting**

- <2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing  
Required Information

Name of Attached Document Listing  
Required Information

**(2005) Price Cap Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

July 2013

**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

&lt;2016&gt; Certification support used to build broadband

**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

&lt;2017A&gt; Connect America Fund Phase II recipient?

&lt;2017C&gt; Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

&lt;2018&gt; Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing  
Required Information

&lt;2019&gt; Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

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Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Not Applicable - No Attachment Required	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}		
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	Not Applicable - No Attachment Required	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:			
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:			
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input checked="" type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input checked="" type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	613002ak3026.pdf



**(3005) Rate Of Return Carrier Additional Documentation (Continued)**

FCC Form 481

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**Financial Data Summary**

(3027) Revenue

232080

(3028) Operating Expenses

206489

(3029) Net Income

15766

(3030) Telephone Plant In Service(TPIS)

1024655

(3031) Total Assets

226820

(3032) Total Debt

0

(3033) Total Equity

216434

(3034) Dividends

0

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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

**4001.** Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

**4003a.** RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

<b>4003b.</b> Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.	Name of Attached Document Listing Required Information	

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

<b>4004a.</b> Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.	Name of Attached Document Listing Required Information	

<b>4004b.</b> Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.	Name of Attached Document Listing Required Information	

**Certification - Reporting Carrier  
Data Collection Form**FCC Form 481  
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<039>	Contact Email Address - Email Address of person identified in data line <030>	mike.g@aptalaska.com

**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: BETTLES TEL CO INC	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 06/30/2017
Printed name of Authorized Officer: Michael Garret	
Title or position of Authorized Officer: President / CEO	
Telephone number of Authorized Officer: 9073606317 ext.	
Study Area Code of Reporting Carrier: 613002	Filing Due Date for this form: 07/03/2017
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier  
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**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	
Name of Authorized Agent Firm:	
Signature of Authorized Agent or Employee of Agent:	Date:
Name of Authorized Agent Employee:	
Title or position of Authorized Agent or Employee of Agent	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments

<b>(700) Price Offerings including Voice Rate Data</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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July 2013

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	

[illegible]

<b>(710) Broadband Price Offerings</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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[illegible]

(800) Operating Companies	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

July 2013

[illegible]





Michael Garrett, CPA  
President/CEO  
P.O. Box 3222  
193 Otto Street  
Port Townsend, WA 98368

Voice (360) 385-1733 Ext 160  
Fax (360) 385-5177  
mike.g@aptalaska.com

Bettles Telephone, Inc.  
SAC - 613002

#### Line 510 - Service Standards

BTI complies with all known service standards and consumer protection rules, including but not limited to:

- Alaska Administrative Code 3 AAC 52.200 through 3 AAC 52.340 - State service standards.
- Federal CNPI rules
- Federal Red Flag rules

Submitted

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Bettles Telephone, Inc.  
SAC - 613002

#### Line 610 - Function in Emergency Situations

BTI maintains critical spares and other redundant equipment that will allow it to keep local voice service operating in emergencies. Given the communities it serves are very isolated with limited access (primarily by air), emergency services are not based locally and the community is dependent on the interexchange carrier to provide connectivity to response provider. Given BTI is responsible for only local service, this is beyond its charter.

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### Line 920 - Tribal Government Engagement

Alaska is different than other states. All of Alaska land is considered tribal but there are only 2 locations I know of in Alaska where tribal governments manage businesses, licenses, rights-of-way, property ownership etc. While BTI serves communities with a native population, there are no government operations that similar to the lower 48 in BTI's exchanges. The native organizations are more akin to private corporations than government entities. These communities are VERY small; Bettles has 81 access lines, most of them supporting an FAA operation. Allakaket (108 access lines) is a predominately native community with a shrinking population. Both of these communities are above the Arctic Circle and due the harsh environment and subsistence living many community members are migrating to larger cities such as Fairbanks and Anchorage.

The regional tribal corporation in BTI's service area is - Doyon Corporation  
The local tribal organizations are: Bettles - Evansville Inc.; Allakaket - Allakaket Village

No direct conversations with Doyon Corporation occur related to broadband services in these areas because as mentioned in the 481 filing, no broadband services are offered due to the high cost of middle mile transport. Local discussions, by the locally based employee, have occurred on an informal basis. There are no local anchor institutions given the size of these communities. Neither of the communities have a population size that would support a sustainable broadband service however voice service is sustainable if the regulated electrical provide remains in business. BTI does not market services but its affiliates do. Discussions through its affiliates have established sensitive ad copy if it is ever used. Land issues delineated in the tribal outreach documentation are not handled by tribal organizations but by the State of Alaska. However, BTI is sensitive to local needs and when construction occurs (additional lands rights or construction has not occurred in years) it consults with local elders. As with land issues, business licenses or licensure is handled by the State of Alaska and its laws so these organizations have no control over these items.

In conclusion, BTI's local representatives consult with local organizations on issues they may be sensitive too. Future planning of services has not specifically occurred because BTI has no current plans to expand services beyond its current service level.

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Submitted

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613002ak3026

Review Report of Independent Accountants  
and Financial Statements for

Bettles Telephone, Inc.

December 31, 2016

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

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## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors  
Bettles Telephone, Inc.

We have reviewed the accompanying financial statements of Bettles Telephone, Inc. (Company), which comprise the balance sheet as of December 31, 2016, and the related statements of income, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### ***Accountants' Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### ***Accountants' Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

MOSS ADAMS LLP

Spokane, Washington  
June 19, 2017

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**BETTLES TELEPHONE, INC.**  
**BALANCE SHEET**

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**ASSETS**

	December 31, 2016
CURRENT ASSETS	
Subscriber accounts receivable, less allowance of \$421	\$ 8,501
Settlements and access accounts receivable	36,377
Accounts receivable, affiliates	135,933
	<hr/>
Total current assets	180,811
	<hr/>
DEFERRED INCOME TAXES, noncurrent	14,774
	<hr/>
PROPERTY, PLANT, AND EQUIPMENT	
Telecommunications plant in service	1,024,655
Less accumulated depreciation	993,420
	<hr/>
	31,235
	<hr/>
Total assets	\$ 226,820
	<hr/> <hr/>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

CURRENT LIABILITIES	
Advanced billing and customer deposits	\$ 10,386
	<hr/>
Total current liabilities	10,386
	<hr/>
STOCKHOLDER'S EQUITY	
Common stock, no par value, 100,000 shares authorized; 10,490 shares issued and outstanding	10,490
Additional paid-in capital	174,838
Retained earnings	31,106
	<hr/>
Total stockholder's equity	216,434
	<hr/>
Total liabilities and stockholder's equity	\$ 226,820
	<hr/> <hr/>

**BETTLES TELEPHONE, INC.**  
**STATEMENT OF INCOME**

	Year Ended December 31, 2016
Operating revenues	
Wireline	
Customer	\$ 54,674
Intercarrier - interstate	61,025
Intercarrier - intrastate	30,820
Universal service support	63,468
	<u>209,987</u>
Total wireline revenues	209,987
Miscellaneous revenues	<u>22,093</u>
	<u>232,080</u>
Operating expenses	
Plant specific operations	53,975
Plant nonspecific operations	35,988
Depreciation	11,467
Customer operations	13,423
Corporate operations	91,636
	<u>206,489</u>
Net operating income	<u>25,591</u>
Income tax expense	<u>9,825</u>
Net income	<u><u>\$ 15,766</u></u>

**BETTLES TELEPHONE, INC.**  
**STATEMENT OF STOCKHOLDER'S EQUITY**

---

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance, December 31, 2015	\$ 10,490	\$ 174,838	\$ 15,340	\$ 200,668
Net income	-	-	15,766	15,766
Balance, December 31, 2016	<u>\$ 10,490</u>	<u>\$ 174,838</u>	<u>\$ 31,106</u>	<u>\$ 216,434</u>

**BETTLES TELEPHONE, INC.**  
**STATEMENT OF CASH FLOWS**

	Year Ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 15,766
Adjustments to reconcile net income to net cash from operating activities	
Depreciation	11,467
Deferred income taxes	(305)
Change in assets and liabilities	
Accounts receivable	(21,970)
Accounts payable	116
Advance billing and customer deposits	(109)
Net cash from operating activities	4,965
CASH FLOWS FROM INVESTING ACTIVITIES	
Net investment of telecommunications plant	(4,965)
NET CHANGE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, beginning of year	-
CASH AND CASH EQUIVALENTS, end of year	\$ -

## **BETTLES TELEPHONE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **Note 1 – Summary of Significant Accounting Policies**

**Description of entity** – Bettles Telephone, Inc. (Company or Bettles) is an incumbent local exchange carrier that provides telephone and other related telecommunication services in Alaska. The Company is wholly owned by Alaska Power & Telephone Company, Inc. (AP&T).

**Accounting policies** – The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting prescribed by the Federal Communications Commission (FCC).

**Accounting estimates** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation expense, deferred income taxes, and interstate access revenues. Actual results could differ from those estimates.

**Concentration of risks** – In 2016, the Company received \$63,468, or 27%, of its revenue from the Federal Universal Service Fund.

**Accounts receivable** – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes it has established adequate reserves for any risk associated with these receivables.

**Property, plant, and equipment** – Property, plant, and equipment are stated at cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

Property, plant, and equipment are depreciated using straight-line methods over their estimated useful lives. In accordance with composite group depreciation methodology, when a portion of the Company's depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation. For income tax purposes, the Company computes depreciation using accelerated methods where permitted.

## BETTLES TELEPHONE, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1 – Summary of Significant Accounting Policies (continued)**

**Income taxes** – The Company is a member of a group that files consolidated federal income tax returns and a combined unitary Alaska return. Accordingly, income taxes payable to (refundable from) the tax authorities are recognized on the financial statements of the parent company who is the taxpayer for income tax purposes. The members of the consolidated group allocate payments to any member of the group for the income tax reduction resulting from the member's inclusion in the consolidated return, or the member makes payments to the parent company for its allocated share of the consolidated income tax liability. This allocation approximates the amount that would be reported if the Company was separately filing its tax returns.

Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2016, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

**Revenue recognition** – Monthly service fees derived from local wireline are billed one month in advance, but recognized in the month that service is provided.

Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

Interstate access revenues include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Revenues are determined by formulas that are based upon a representative sample of pooled network facilities, costs, and demand quantities (i.e. minutes of use, access lines, etc.). These formulas are approved by the FCC annually and the pools are subject to a 24-month adjustment period. Management does not anticipate that 2016 recorded revenues will require significant adjustments in future years.

Intrastate access revenues also include revenues received from revenue pools administered by the Alaska Exchange Carrier Association that are based on the Company's relative cost of providing intrastate access service. These revenues are based on projections submitted periodically and intrastate access cost studies that are normally submitted every two years. Management does not anticipate that 2016 recorded revenues will require significant adjustments in future years.

## **BETTLES TELEPHONE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

---

#### **Note 1 – Summary of Significant Accounting Policies (continued)**

**Revenue recognition (continued)** – The Company's wireline universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenue includes funds received for high cost loop support (HCLS), interstate common line support (ICLS), Connect America Fund (CAF), and other miscellaneous programs. HCLS and ICLS are based on the Company's current relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 interstate access revenues, which together make up the CAF base. The CAF base will be reduced by 5% each year in determining CAF support.

**Regulation** – The Company's services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the Regulatory Commission of Alaska. The FCC also has preemptive authority to regulate intrastate telecommunications services, including intrastate access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal service support revenues are administered by the Universal Service Administrative Company (USAC), based on rules established by the FCC.

Other sources of revenues are not rate regulated and include equipment sales, directory, rents, and other incidental services.

The FCC released an Order and Further Notice of Proposed Rulemaking (FNPRM) in 2016, that reforms the High Cost Program supporting rate-of-return carriers. The FCC has also created a mechanism to ensure the \$2 billion budget for Universal Service Support is not exceeded. The following changes have been implemented to modernize the program:

- Provides support for stand-alone broadband;
- Requires broadband deployment based on the number of locations lacking service and the cost of providing service;
- Requires allowances for capital investments and limits on operational expenses; and
- Phases out support for areas served by a qualifying competitor.

## BETTLES TELEPHONE, INC. NOTES TO FINANCIAL STATEMENTS

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### **Note 1 – Summary of Significant Accounting Policies (continued)**

**Regulation (continued)** – The FNPRM also created two paths to a CAF for rate of return carriers. The legacy mechanism reforms the existing ICLS mechanism to support stand-alone broadband. The model based option is voluntary and is a fixed amount of support for ten years. The model based support mechanism includes build-out milestones that must be met beginning in 2021. In the event the Company does not meet the milestones a portion of the support received will be paid back to the Universal Service Fund (USF). The Company is expected to receive support under the model based option in future years.

**Access revenues** – Access revenues are classified as follows:

- Customer revenues include end user charges such as the Subscriber Line Charge (SLC), the Federal Universal Service Charge (FUSC), Access Recovery Charge (ARC), and the state access charge.
- All access charge and settlement revenue, except as described above, is classified as intercarrier revenue.

**Related party transactions** – Bettles is a wholly owned subsidiary and is included in the consolidated financial statements of AP&T. Certain allocations are made from the parent company that could result in the operating results or financial position of the Company being different from those that would have been obtained had the entities been autonomous. AP&T employs all employees of Bettles and allocates certain employee costs to the Company. These costs are allocated based on cost allocation procedures that have been approved by the Regulatory Commission of Alaska. Employee costs in the amount of \$96,850 were allocated to Bettles in 2016. All eligible employees can participate in the AP&T stock ownership plan.

**Taxes imposed by governmental authorities** – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

**Subsequent events** – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through June 19, 2017, which is the date the financial statements are available to be issued.

See review report of independent accountants.



**BETTLES TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 2 – Property, Plant, and Equipment**

Property, plant, and equipment balances, together with accumulated depreciation balances, consist of the following at December 31:

	<u>Depreciation Rate</u>	<u>Plant Account</u>	<u>Accumulated Depreciation</u>	<u>2016 Net Balance</u>
Telecommunications plant in service				
General support assets	0%-20%	\$ 167,215	\$ 135,980	\$ 31,235
Central office assets	11%-14%	526,245	526,245	-
Cable and wire facilities	3%-6%	331,195	331,195	-
		<u>\$ 1,024,655</u>	<u>\$ 993,420</u>	<u>\$ 31,235</u>

**Note 3 – Income Taxes**

The components of the provision for income tax expense for the year ended December 31:

	<u>2016</u>
Current	
Federal	\$ 7,942
State	2,188
Deferred	
Federal	<u>(305)</u>
	<u>\$ 9,825</u>

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before taxes due to the effects of state taxes (net of federal benefit), nondeductible items, nontaxable items, and prior year over or under accruals.

**BETTLES TELEPHONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 3 – Income Taxes (continued)**

The components of the net deferred tax asset recorded in the accompanying balance sheets at December 31 are:

	<u>2016</u>
Current deferred tax assets	
Allowance for doubtful accounts	<u>\$        167</u>
Noncurrent deferred tax assets	
Book depreciation greater than tax	<u>14,607</u>
Total net noncurrent deferred tax asset	<u>14,607</u>
Net deferred tax asset	<u><u>\$    14,774</u></u>

In November 2015, the Financial Accounting Standards Board issued accounting standards update (ASU) No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes* (ASU 2015-17), which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The Company has elected to early adopt ASU 2015-17.